

## Message Text

CONFIDENTIAL

PAGE 01 BOGOTA 10810 081348Z

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ACTION ARA-10

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FM AMEMBASSY BOGOTA

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C O N F I D E N T I A L BOGOTA 10810

EO 11652: XGDS-1

TAGS: EGEN CO

SUBJ: FINANCE MINISTER'S VIEWS ON GOC ECONOMIC POLICY AND PHIL-  
OSOPHY

1. SUMMARY: DURING A LONG PRIVATE LUNCH FINANCE MINISTER BOTERO GAVE THE AMBASSADOR AND DEPUTY ASST. SECRETARY LUERS AN EXPOSITION OF THE GOC'S VIEWS ON ECONOMIC POLICY AND ITS PHILOSOPHY. HIS PRINCIPAL POINTS WERE A) THE CENTRAL GOAL OF THE GOC'S ECONOMIC POLICY IS THE REDISTRIBUTION OF WEALTH TO IMPORVE THE LOT OF THE POORER SECTORS OF THE SOCIETY, ESPECIALLY THE RURAL POOR? B) THE GOC INTENSELY DESIRES ECONOMIC INDEPENDENCE OR AUTONOMY, I.E. DEVELOPMENT CAN ONLY BE COLOMBIA'S RESPONSIBILITY: IT WANTS TO MAKE THE DECISIONS AND FASHION THE POLICIES AND NOT TO DEPEND UPON FOREIGN ADVICE, DICTATION OR INFLUENCE, INCLUDING THAT OF INTERNATIONAL ORGANIZATIONS LIKE THE IMF; C) IT INTENDS TO DE--EMPHASIZE THE IMPORTANCE OF FOREIGN CAPITAL IN THE ECONOMY.  
END SUMMARY.

2. BOTERO DESCRIBED THE KEY ECONOMIC GOAL OF THE GOC AS THE REDISTRIBUTION OF WEALTH TO IMPROVE THE LOT OF THE POORER SECTORS OF THE ECONOMY, ESPECIALLY THE RURAL POORT. TO DO THIS, OFFICIAL ACTION AND EFFORT WERE NEEDED. THE GOVERNMENT WAS  
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PAGE 02 BOGOTA 10810 081348Z

UNWILLING SIMPLY TO TAKE MEASURES THAT WOULD IMPROVE ECONOMIC

PRODUCTIVITY IN THE MODERN SECTOR AND WAIT FOR "TRICKLE DOWN". WHILE IT WANTED TO SEE PRODUCTIVELY IMPROVE, SPECIFIC MEASURES WERE NEEDED, E.G. PUBLIC INVESTMENT, TAX REFORM, ALLOCATION OF PUBLIC SERVICES, TO SPEED IMPROVEMENT AMONG THE POOR.

3. IN THIS TASK, BOTERO SAID, THE CORNERSTONE WAS THE PROGRAM OF INTEGRATED RURAL DEVELOPMENT (DRI). (SEE DAP JUST SUBMITTED.) THE POLICY DECISION HAS BEEN TAKEN, AND RESOURCES CAN BE SECURED. THE REAL PROBLEM WILL BE IMPLEMENTATION, I.E. PERSONNEL AND DISTRIBUTION SYSTEMS. ALTHOUGH THEY HAVE STUDIED PROGRAMS IN OTHER COUNTRIES, THERE IS REALLY NO PRECEDENT OR MODEL THAT CAN BE TRANSFERRED TO THE COLOMBIAN CONTEXT. THE GOC WILL THEREFORE HAVE TO DEVELOP ITS OWN PORGRAM; IT WILL PROBABLY TAKE SEVERAL YEARS TO DEVELOP THE HUMAN AND ORGANIZATIONAL INFRASTRUCTURE REQUIRED TO CARRY OUT THE DRI PROGRAM.

4. REFERRING TO HIS CARTAGENA SPEECH (BOGOTA 10577), BOTERO STRESSED THAT THE GOC INTENTION WAS TO SEEK ECONOMIC INDEPENDENCE OR AUTONOMY; BUT THIS DID NOT MEAN AUTARKY. THEY FELT INTENSELY THAT COLOMBIA'S DEVELOPMENT WAS COLOMBIA'S PROBLEM, AND ONLY COLOMBIA COULD ACHIEVE IT; THEY WANTED INTENSELY TO DO IT ON THEIR OWN, AND NOT BE SUBJECT TO EXTERNAL DECISIONS. HIS CARTAGENA SPEECH CIRTICISM WAS REALLY AIMED AT THE KIND OF TUTELAGE OR CONTROL THAT THE IMF FREQUENTLY EXERTED. IF A COUNTRY WAS INEFFECTIVE IN ITS FISCAL AND ECONOMIC POLICY AND RAN INTO TROUBLE AS A RESULT, THEN THE PRICE THEY WOULD HAVE TO PAY FOR THEIR MISMANAGEMENT IS OUTSIDE DICTATION AND ADVICE. BUT IF IT WAS RESPONSIBLE AND EFFECTIVE, THEN IT DOES NOT NEED, AND SHOULD NOT HAVE, OUTSIDERS TELLING THEM WHAT TO DO. EACH GOVERNMENT'S RESPONSIBILITY THEREFORE WAS TO MANAGE THE COUNTRY'S RESOURCES RESPONSIBLY AND EFFECTIVELY. HE FELT THE GOC WAS DOING THAT.

5. COLOMBIA, BOTERO SAID, MUST DEVELOP IT S OWN TECHNICAL CAPABILITY, ITS OWN EXPERTISE AND MAINTAIN CONTROL OF ITS OWN DECISIONS AS TO THE ECONOMY. FOREIGN INVESTORS ALWAYS ASKED WHAT COLOMBIA WAS DOING TO ATTRACT FOREIGN INVESTMENT. BUT THAT IS THE WRONG QUESTION, HE SAID. WHAT THE GOC WANTS TO DO IS TO DIMINISH THE IMPORTANCE OF FOREIGN INVESTMENT, CONFIDENTIAL

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PAGE 03 BOGOTA 10810 081348Z

ESPECIALLY IN THE SENSE OF OWNERSHIP OF PRODUCTION AND INFLUENECE IN DECISION-MAKING, ESPECIALLY IN SENSITIVE SECTORS. FOREIGN INVESTMENT IS A PACKAGE INVOLVING TECHNOLOGY, MANAGEMENT, MARKETING KNOW-HOW AND OWNERSHIP. THE PACKAGE SHOULD BE BROKEN UP, AND IT IS THE LAST ELEMENT

THAT BOTHERS THEM. COLOMBIA COULD AFFORD TO BUY THE TECHNOLOGY

AND KNOW-HOW IT NEEDS, IT DID NOT NECESSARILY WANT FOREIGN OWNERSHIP OF PRODUCTION FACILITIES AS PART OF THE PRICE TO GET IT, HOWEVER. COLOMBIA WAS PREPARED, NEVERTHELESS, TO MAKE THE ARRANGEMENTS IT NEEDED TO GET WHAT IT REQUIRED, E.G. IN ENERGY RESOURCES IT WAS PREPARED TO ACCEPT JOINT VENTURES (ALTHOUGH NOT CONCESSIONS).

6. EXCEPT PERHAPS IN FUEL PRODUCTION (COAL AND OIL) HE DID NOT BELIEVE THAT SHORTAGE OF CAPITAL WAS A PROBLEM FOR COLOMBIA. THE GOC COULD GET ALL THE CAPITAL IT NEEDED IN LOAN CAPITAL; IN FACT HE HAD JUST HAD TO TURN DOWN OFFERS BY BANKS PUSHING EURODOLLARS. THE GOC WILL ALSO GIVE PRIORITY TO DEVELOPMENT OF A CAPITAL MARKET. A COUNTRY HAD TO FACE THE CONSEQUENCES OF ITS OWN DECISIONS. IF A COUNTRY CLAIMED TO NEED FOREIGN INVESTMENT, AS SOME LATIN AMERICAN COUNTRIES NOW DO, IT USUALLY MEANS THAT PAST MANAGEMENT HAS BEEN SO POOR THAT IT HAS DEVELOPED A RESOURCE GAP. IN THESE CASES, THE COUNTRY HAD TO PAY THE PRICE OF POOR MANAGEMENT AND TAKE FOREIGN INVESTMENT ON THE LATTER'S TERMS.

7. THE GOC'S DESIRE FOR ECONOMIC INDEPENDENCE AND ITS BELIEF THAT IT ALONE IS RESPONSIBLE FOR ITS OWN WELL-BEING DOES NOT IMPLY LACK OF RECOGNITION OF INTERDEPENDENCE, BOTERO SAID. IN FOREIGN ECONOMIC MATTERS, THE MINISTER ADDED, COLOMBIA GAVE ATTENTION FIRST TO ITS IMMEDIATE NEIGHBORS, VENEZUELA AND ECUADOR, THEN TO THE ANDEAN PACT AND THEN TO LATIN AMERICA.

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